

## **The big flop in the midst of unsteady stability**

Vol. 5, No. 135, July 19, 1999

"For all recent years of operation of the executive bodies, the financial and economic situation has never been as stable as today. And yet, it remains unsteady, fragile and ambiguous."

Valery Pustovoitenko, *Nezavisimost*, 10 July 1999

On July 6, 1999, the Communist faction in the parliament made an attempt to convince its colleagues in the country's top law-making body to issue the vote of non-confidence to the government chaired by Valery Pustovoitenko, President Kuchma's loyal aid, leader of the People's Democratic Party of Ukraine and the Zlakhoda ("Accord") association, an entity he formed to back Mr. Kuchma's bid for re-election.

For a variety of reasons, the attempt failed. Only 182 MPs endorsed the proposal to oust the government, including 118 Communists, 24 members of the Socialist faction, 13 members of the Hromada, 6 members of the Progressive Socialist faction and 12 members of the Reforms-Congress. All but one member of the Peasant Party supported the government. Other supporters included the United Social Democrats (less one), the Working Ukraine (less two), the Vidrozhennya Rehioniv (less one), the Rukh (less two), Yulia Tymoshenko's "Batkivshchyna" ("Fatherland") and the PDP. Most of members of both Rukh factions refrained from voting claiming they did not want to be involved in "others' political games". Instead, they actually helped the backers of the government by not joining the no-confidence vote.

The effort to oust the government was not new: twice before last year the parliament demanded on Valery Pustovoitenko to report on the progress (or rather, the lack of it) made by his government in addressing key social and economic challenges. Last October 203 members of the parliament voted for resignation of the Pustovoitenko government. This attempt was planned - and could be used effectively - as an element of a presidential campaign strategy, and could achieve its target if the parliament's sessions continued to be broadcast daily by the national radio. When initiators of including the issue of the government's responsibility to the agenda gathered the needed 153 votes, the in-house debates could be heard by the entire country and make a strong impact on potential voters. Instead, the government's critics had to confine themselves to several minutes of coverage in the news and articles in major publications that focused more on political motivations of the "ill-orchestrated performance" than on reproducing emotional appeal to "the people", made by left-wingers.

Reporting to the parliament, Valery Pustovoitenko looked nervous and offensive when accusing the parliament of trying to use the government's report and attacks on the government as an element of election campaign. Unlike his six predecessors, he survived over two years of accusations of continuous economic and social failures. Unlike his predecessors, he was very close to being ousted by the parliament instead of being dismissed by the president. He also was well aware of the fact that the vote of no-confidence depended on whether the president agreed that his prime minister should go, not on the vote of left-wingers.

The parliament's most influential pro-presidential factions like Oleksandr Volkov's "Vidrozhennya Rehioniv" ("Revival of the Regions"), the "Trudova Ukraina" ("Working Ukraine"), controlled by Igor Sharov and Victor Pinchuk, and the People's Democrats considered the possibility that the government would fall quite seriously. Candidates, named as possible replacements for Pustovoitenko included the Presidential Chief of Staff Mykola Biloblotsky, head of the Security Service of Ukraine Leonid Derkach or even leader of the Ukrainian League of Industrialists and Entrepreneurs (USPP) Anatoly Kinakh. Meanwhile, no serious candidate would consider filling in the vacancy for less than four months that remained till the October 1999 presidential election which, according to the constitution, will be followed with resignation of the government no matter who wins the race.

The decision that the government should stay became obvious after Natalia Vitrenko's Progressive Socialist Party added only 6 votes out of fourteen for the no-confidence vote. Oleksandr Tkachenko also demonstrated unusual tolerance to Valery Pustovoitenko and openly called on the MPs to support the government. After the four-hour battle in the parliament was over, Oleksandr Tkachenko and Valery Pustovoitenko shook hands. At the time the outcome, apparently, was acceptable for every of the major players. Although the "political provocation" was inspired primarily by claimants of the presidential office Communist leader Petro Symonenko and Socialist Oleksandr Moroz, neither of them nor their backers, nor any of twelve other presidential pretenders in the parliament was prepared to take the lead of the government in case the top office becomes vacant.

Valery Pustovoitenko deserves a number of adjectives in the superlative form: the least politically ambitious prime minister has served the longest term as the head of the state's weakest government. By far, the government is not the central executive body, as all decisions are made in the Presidential Administration. Yet, his resignation would bring new challenges to the executive branch as well as to the political environment in general. First, Valery Pustovoitenko's resignation would effectively disorganize the strongest presidential campaign staff, and, hence, enhance Mr. Kuchma's competitors' positions in the election. Second, the formation of a temporary government led by an acting prime minister would further destabilize the economic situation, and, possibly, cost Ukraine its expected loans from international donors who would hardly take the risk and issue the loan to a country without a legitimate government. Third, resignation of the government would seriously undermine chances for fulfillment of the 1999 budget and timely adoption of the 2000 budget.

Under the Constitution, the parliament may not initiate the resignation of the government more than once during every session period. Meanwhile, the issue may be raised in September again - possible, by the president himself to punish the government for "inaction" in solving urgent socio-economic problems of potential voters. In any case, political confrontation will grow as the polling day comes near. The prediction looks rather gloomy for the pursuit of economic reform.

Chances for Pustovoitenko are quite predictable: although he is unlikely to be re-appointed the prime minister after his government formally resigns to the newly-elected president, he can always come to the parliament as Number 1 of the PDP election list and take the lead of the faction. A couple of days after the failed attempt to oust him he publicly stated there was a real opportunity to create a "constitutional centrist majority" able to adopt decisions that would promote economic reform.

According to Pustovoitenko, such majority could be created through enhancing cooperation between the government and parliamentary committees in reaching agreement on draft economic bills.

Paradoxically, the executive branch would benefit substantially from Valery Pustovoitenko's resignation. First, it would give the executive branch a chance to blame the most radical anti-reform part of the government for further deterioration of the economic and social situation in the state.

Second, it would give the president a formal reason to disband the parliament, as the latter would hardly manage to appoint a new prime minister within the three months (less the summer vacation) remaining before the presidential election.

Third, the dissolution of the parliament could follow a national referendum on confidence in the Verkhovna Rada, or a formal appeal to the Constitutional Court.

Reportedly, two key players in the comedy were mastermind of the presidential election campaign, his free lance adviser Oleksandr Volkov and Speaker Oleksandr Tkachenko. Mr. Volkov competes with Valery Pustovoitenko for influence on the president and access to distribution and command of main financial sources and channels. The recent factor that added tension to the two men's relations has been the appointment of new director of the Mykolayiv Aluminum Plant - a very attractive enterprise that is likely to become an object of aspiration of the Trans World Group, a company with rather dubious reputation, reportedly linked to Boris Berezovsky. According to some observers, Valery Pustovoitenko postponed his resignation by welcoming the appointment of Mykola Naboka, a person barely known in Ukraine but associated with the Trans World Group, as the new director of the Mykolayiv Aluminum Plant. Shortly before the vote in the parliament, Valery Pustovoitenko publicly supported Mr. Naboka by saying that "the normal leader came, I would like the personnel to accept him, and we would bring the Mykolayiv Aluminum Plant to order".

Oleksandr Tkachenko, whose support was critical for saving the government from the no-confidence vote, acted reasonably when resisted the temptation to oust the head of the government, aware of possible implications the step could cause for the parliament. He may also be limited in the choice of methods by possible unpleasant revelations concerning his role as the president of the "Zemlya i Liudy" ("Land and People") association, charged with mispending of about US\$ 70 million of a government-insured loan several years ago. Two days after the vote in the parliament, the national TV channel UT-1 started showing the "Dossier" series, featuring the "Zemlya i Liudy" case.

Instead of Conclusion: A Testing Site

Although the government's inefficiency is clear to anyone, its resignation would cause acute political crisis shortly before the presidential election, that would be in the interests of both the far left and the far right opposition. That is why it was allowed to finish its term naturally and peacefully. While the prime minister was struggling to keep his cabinet afloat, the board of the Ukrainian League of Industrialists and Entrepreneurs (USPP) and the Coordination Council for Forming the Social and Economic Policy, organized by the USPP and the Youth Government of Ukraine, held a joint meeting to discuss prospects for the future. According to the resolution of the president, the informal Coordination Council is authorized to provide "preliminary expertise of draft decrees and resolutions of the president, resolutions of the government and bills that are prepared by the executive branch for

presenting for consideration to the Verkhovna Rada. The meeting approved a resolution that enables the Council to submit proposals for improvement of the current legislation on issues of social and economic policy, industry, transport, construction, communications, the energy and the agro-industrial complexes, to top bodies of power. Furthermore, the Council can receive all necessary information from the executive branch, and invite - upon agreement with the leadership of the executive branch - civil servants and officials to take part in development and implementation of a variety of programs. In the context of repeated speculations that USPP leader Anatoly Kinakh may become Ukraine's next prime minister, the proliferation of USPP vice presidents in all social and economic ministries suggests the organization - supposed to be an independent business association - is actively building its own executive structure. So far, the USPP claims strong impact on 46 out of over 50 recent decrees signed by the President, including the decrees on establishment of new "special economic zones" that offer major taxation and investment benefits.

However if the current lack of balance and unreformed administrative machine remain in place, it is unlikely that any new government will be more effective, accountable and responsible than the current one. Unless effective legal framework and institutional mechanism of cooperation of all branches of power are in place, and the administrative reform is successfully completed, the government will remain the scapegoat and Ukraine will keep lagging behind in the process of economic transformation.